

No credit required for tax credit idea

Posted by [mwsmith](#) March 23, 2008 08:00AM

Michigan's Legislature never stops innovating.

One slick development is the "refundable tax credit." Until this winter, I never heard of it.

Refundable tax credits eliminate the need for cumbersome procedures like sweetheart contracts to give taxpayer money to favored companies.

Now it's in the tax code.

Regular people, if they've heard of it at all, mistakenly assume a tax credit is another name for a tax cut.

Tax cuts sound reasonable in the same way it makes sense for J.C. Penney to put men's suits on sale. Even at 30 percent off, the store comes out ahead if it lures customers from Wal-Mart.

Refundable tax credits are not like that.

"It's like the store gives you a suit for free," said Sen. Nancy Cassis, R-Novi, chairwoman of the Senate Finance Committee. "Then they mail you a check for \$100."

Generosity of that sort is given as a reward for selected companies and business practices deemed desirable by politicians.

Regular people may wonder why this strategy makes more sense for government than for the men's department at J.C. Penney. Good question.

Michigan expects to mail \$252 million this year to companies that qualify for seven refundable tax credits, according to the Department of Treasury.

At least two new refundable credits are proposed.

Cassis is almost a lone wolf opposing this trend. Two weeks ago, she was on the short end of a 34-1 vote to establish a new refundable credit.

"Giving certain favored companies and businesses a check in the mail hurts all those other businesses that are paying taxes here, right now, today," Cassis said. "They're not receiving any relief. They are trying to hold on."

Taxpayers cannot find out how much money the state mails any particular company because, at least until now, it's private tax information.

And few people notice the cost because it comes right off the top of state revenues. It is paid before taxes are counted.

Regular people may also wonder how a state that nearly shut down can send checks to a few companies that win political favor while squeezing taxes from many established companies struggling to survive.

In Lansing, liberals and conservatives from both parties join hands to celebrate it as innovation.

"This is the kind of 'outside the box' approach that Michigan's leaders will have to take to turn Michigan around," state GOP chairman Saul Anuzis writes in praise of a new credit that could cost the state hundreds of millions.

Someone ought to climb back in the box before we go bankrupt.

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bozothecclone says...

Not that the bozo's (no relation) in Lansing will listen but:

YOU TELL 'EM BRAD!!

Like many others when the expenses rise my wife and I simply look for a way to cut back even more. So our date night happens every three to four months now. Our big splurge is to stop and get a few coney dogs and eat them while watching squirrels messing around at a park or sitting at a lake. Whoo Hoo! Talk about painting the town red.

And if, by some miracle, someone actually listens to you maybe you could suggest that they make our highways a single speed for ALL traffic. That way we could dispense with the fifty thousand pound rolling roadblocks.

As always, it's always fun and educational to read your columns.

Live long and prosper,

BtC

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